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Colour Life Services Group Co., Limited

彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS

- The Group's revenue for the Period increased by 70.2% to approximately RMB278.1 million from RMB163.4 million for the same period in 2014.
- The Group's gross profit for the Period increased by 90.3% from RMB108.0 million for the same period in 2014 to approximately RMB205.5 million. Gross profit margin increased by 7.8 percentage points from 66.1% for the same period in 2014 to 73.9%.
- The Group's profit for the Period increased by 28.8% from RMB65.3 million for the same period in 2014 to approximately RMB84.1 million.
- During the Period, profit attributable to owners of the Company increased by 25.2% or RMB15.6 million from RMB62.0 million for the same period in 2014 to approximately RMB77.6 million.
- As at 30 June 2015, the Group's contracted GFA increased by 31.6% from 205.3 million sq.m. to 270.2 million sq.m.

The board (the “**Board**”) of directors (the “**Directors**”) of Colour Life Services Group Co., Limited 彩生活服務集團有限公司 (the “**Company**” or “**Colour Life**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2015 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Revenue	3	278,140	163,439
Cost of sales and services		<u>(72,592)</u>	<u>(55,453)</u>
Gross profit		205,548	107,986
Other gains and losses		(26,479)	(3,572)
Other income		3,871	2,536
Selling and distribution expenses		(5,532)	(1,397)
Administrative expenses		(78,660)	(17,895)
Expenses recharged to residential communities under commission basis		21,611	10,174
Finance costs		(6,765)	(325)
Listing expenses		–	(8,317)
Change in fair value of investment properties		2,099	580
Share of profits of associates		319	31
Share of profits of a joint venture		<u>374</u>	<u>119</u>
Profit before tax	3	116,386	89,920
Income tax expense	4	<u>(32,237)</u>	<u>(24,584)</u>
Profit and total comprehensive income for the period		<u>84,149</u>	<u>65,336</u>
Profit and total comprehensive income attributable to:			
Owners of the Company		77,578	62,046
Non-controlling interests		<u>6,571</u>	<u>3,290</u>
		<u>84,149</u>	<u>65,336</u>
Earnings per share (RMB cents)	7		
— Basic		<u>7.76</u>	<u>8.31</u>
— Diluted		<u>7.74</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2015

		30 June 2015	31 December 2014
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		170,035	67,546
Investment properties		48,854	29,790
Interest in associates		6,024	1,295
Interest in a joint venture		1,320	946
Intangible assets		121,300	26,850
Goodwill		415,792	105,188
Trade receivables	8	8,908	4,802
Other receivables and prepayments	9	21,248	5,657
Deferred tax assets		17,813	5,839
Deposits paid for potential acquisitions of subsidiaries		74,721	142,661
		886,015	390,574
CURRENT ASSETS			
Inventories		3,828	862
Amounts due from customers for contract works		29,190	41,113
Trade receivables	8	186,014	152,662
Other receivables and prepayments	9	141,875	69,470
Payments on behalf of residents		174,725	86,214
Amounts due from fellow subsidiaries		21,142	20,157
Amounts due from non-controlling shareholders		15,595	14,989
Amounts due from a related party		31	336
Financial assets designated at fair value through profit or loss		54,158	–
Pledge/restricted bank deposits		518,360	136,323
Bank balances and cash		244,907	687,031
		1,389,825	1,209,157

		30 June 2015	31 December 2014
	<i>NOTES</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Amounts due to customers for contract works		6,016	8,195
Trade payables	<i>10</i>	36,772	25,975
Other payables and accruals	<i>11</i>	395,040	176,252
Receipts on behalf of residents		75,552	72,745
Amounts due to fellow subsidiaries		1,235	1,777
Amounts due to non-controlling shareholders		2,954	5,846
Amount due to an associate		5,942	775
Amount due to a joint venture		250	94
Tax liabilities		90,366	83,906
Borrowings due within one year		298,122	127,927
		912,249	503,492
NET CURRENT ASSETS			
		477,576	705,665
TOTAL ASSETS LESS CURRENT LIABILITIES			
		1,363,591	1,096,239
NON-CURRENT LIABILITIES			
Deferred tax liabilities		44,594	7,385
Amount due to a non-controlling shareholder		1,213	1,572
Borrowing due after one year		180,000	18
		225,807	8,975
		1,137,784	1,087,264
CAPITAL AND RESERVES			
Share capital		79,324	79,315
Reserves		1,030,730	992,286
EQUITY ATTRIBUTABLE TO:			
Owners of the Company		1,110,054	1,071,601
Non-controlling interests		27,730	15,663
		1,137,784	1,087,264

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The directors of the Company considered the application of the above new or revised amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

Six months ended 30 June 2015 (unaudited)

	Property management services RMB'000	Engineering services RMB'000	Community leasing, sales and other services RMB'000	Elimination RMB'000	Total RMB'000
External revenue	149,620	84,724	43,796	–	278,140
Inter-segment revenue	–	444	23	(467)	–
Segment revenue	<u>149,620</u>	<u>85,168</u>	<u>43,819</u>	<u>(467)</u>	<u>278,140</u>
Segment profit	71,968	45,165	32,540		149,673
Changes in fair value of investment properties					2,099
Share of profit of associates					319
Share of profit of a joint venture					374
Finance costs					(6,765)
Bank interest income					2,537
Share-based payment					(31,320)
Other unallocated expenses					<u>(531)</u>
Profit before tax					<u>116,386</u>

Six months ended 30 June 2014 (unaudited)

	Property management services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Community leasing, sales and other services <i>RMB'000</i>	Elimination <i>RMB'000</i>	Total <i>RMB'000</i>
External revenue	95,599	35,087	32,753	–	163,439
Inter-segment revenue	–	439	90	(529)	–
Segment revenue	<u>95,599</u>	<u>35,526</u>	<u>32,843</u>	<u>(529)</u>	<u>163,439</u>
Segment profit	49,378	16,685	30,340		96,403
Changes in fair value of investment properties					580
Investment income of financial assets designated at FVTPL					195
Share of profit of an associate					31
Share of profit of a joint venture					119
Finance costs					(325)
Bank interest income					402
Listing expense					(8,317)
Other unallocated income					<u>832</u>
Profit before tax					<u><u>89,920</u></u>

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Current tax		
The People's Republic of China (the PRC) EIT	38,362	25,427
Deferred tax	(6,125)	(843)
	<u>32,237</u>	<u>24,584</u>

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Profit for the period has been arrived at after charging:		
Staff costs	80,703	36,533
Amortisation of intangible assets (included in costs of sales)	3,598	604
Depreciation for property, plant and equipment	4,378	3,061
Minimum lease payments under operating leases in rented premises	2,008	2,256
Allowance for doubtful debts on trade receivables included in other gains and losses	9,280	1,429
Impairment loss recognised on payments on behalf of residents under commission basis included in other gains and losses	14,500	1,347

6. DIVIDENDS

During the six months ended 30 June 2015, a final dividend of HK\$0.09 per share, amounting to RMB71,033,000 in aggregate, for the year ended 31 December 2014 was paid to the shareholders of the Company.

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2015.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u>77,578</u>	<u>62,046</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,000,029,138	746,458,270
Effect of dilutive potential ordinary shares: Share options	<u>2,525,848</u>	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,002,554,986</u>	<u>746,458,270</u>

8. TRADE RECEIVABLES

	30 June 2015 <i>RMB'000</i> (Unaudited)	31 December 2014 <i>RMB'000</i> (Audited)
	Trade receivables	192,529
Retention receivables	1,451	1,508
Invoices to be issued	<u>15,842</u>	<u>8,742</u>
	209,822	163,084
Less: allowance for doubtful debts	<u>(14,900)</u>	<u>(5,620)</u>
Total trade receivables	<u>194,922</u>	<u>157,464</u>
Classified as:		
Non-current	8,908	4,802
Current	<u>186,014</u>	<u>152,662</u>
	<u>194,922</u>	<u>157,464</u>

8. TRADE RECEIVABLES — continued

The following is an aging analysis of gross trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which approximated to the respective revenue recognition date, except for trade receivables from engineering services and trade receivables from agency service provided to Shenzhen Caizhijia Real Estate Planning Co., Ltd, (“Caizhijia”) of which the invoice date represented the payment due date:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 30 days	72,022	49,339
31 to 90 days	44,584	40,522
91 to 180 days	45,976	27,969
181 to 365 days	13,668	21,009
Over 1 year	16,279	13,995
	<u>192,529</u>	<u>152,834</u>

9. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Deposit paid in relation to consultancy service arrangement	10,938	5,657
Other deposits	17,907	10,989
Advance to a customer	–	12,000
Staff advance	22,174	6,627
Prepayment for suppliers	24,883	16,412
Receivables from customers for residential and retail units rental assistance services on behalf of Caizhijia	622	3,832
Payment on behalf of residents for residential communities under lump sum basis	8,917	2,025
Payment on behalf of residents for residential communities under consultancy services arrangement	31,318	9,844
Receivables from former shareholders of certain subsidiaries	21,234	3,202
Others	25,130	4,539
	<u>163,123</u>	<u>75,127</u>
Classified as:		
Non-current	21,248	5,657
Current	141,875	69,470
	<u>163,123</u>	<u>75,127</u>

10. TRADE PAYABLES

The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
0 to 60 days	14,585	17,716
61 to 180 days	7,168	2,310
181 to 365 days	5,868	2,285
Over 1 year	9,151	3,664
	<u>36,772</u>	<u>25,975</u>

11. OTHER PAYABLES AND ACCRUALS

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Receipts on behalf of residents for residential communities under lump sum basis	21,496	7,274
Receipts on behalf on residents for residential communities under consultancy service arrangements	21,268	25,629
Accrued listing expenses	1,267	15,979
Advances from customers	80,625	14,273
Deposits received	29,577	18,690
Other tax payables	33,305	23,243
Rental payables	1,399	2,057
Accrued staff costs	31,581	16,087
Provision for retirement benefit contributions	38,411	9,447
Consideration payables for acquisition of subsidiaries	119,508	27,464
Dividend payables to non-controlling shareholders of certain subsidiaries of the Company	1,280	–
Other	15,323	16,109
	<u>395,040</u>	<u>176,252</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Business Overview

The Group is a leading community services provider in the PRC. Based on the gross floor area (“GFA”) of residential communities which the Group was contracted to manage as at 31 December 2014, the Group was named as the provider with the largest coverage of community services in the world in terms of the GFA of residential properties by China Index Academy in 2015. The Group has three main business segments:

- property management services, which primarily include: (i) services such as security, cleaning, gardening, repair and maintenance provided to residential communities, which include mixed-use properties containing residential units and ancillary facilities that are non-residential in nature, (ii) pre-sale services provided to property developers, including cleaning, security and maintenance of the pre-sale display units; and (iii) consultancy services provided for regional property companies, such as standardised operation, cost control and consultation;
- engineering services, which primarily include: (i) equipment installation services, (ii) repair and maintenance services, and (iii) automation and other equipment upgrade services through the Group’s equipment leasing program; and
- community leasing, sales and other services, which primarily include: (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

Property Management Services

The Group sticks to its strategy of rapid expansion of GFA. During the Period, the Group acquired 100% equity interests in Shenzhen Kaiyuan International Property Management Co., Ltd. (深圳市開元國際物業管理有限公司) (hereinafter referred to as “**Kaiyuan International**”) for a total consideration of RMB330 million. Kaiyuan International is a leader in the provision of high-end community management in the PRC’s domestic market. It was ranked 35th among the top 100 property enterprises by China Index Academy in 2014 and provided services to more than 130 communities in 41 cities in the PRC with the total contracted GFA of approximately 29.3 million sq.m. The acquisition is conducive to the consolidation of resources and fostering of complementary benefits, bringing more value to the communities.

In addition, the Group also focused on driving its organic growth through word-of-mouth marketing and brand building. As at 30 June 2015, the coverage of the residential communities the Group managed or entered into consultancy services contracts with grew to 147 cities, which brought word-of-mouth successes to the Group in each local market. It also effectively maintained the trend of rapid growth via organic way by entering into property management contracts directly with the property owners’ representatives. The total contracted GFA under new engagement was 23.5 million sq.m. during the first half of the year.

Through the expansion by ways of acquisitions and organic growth, as at 30 June 2015, the contracted GFA of the Group was 270.2 million sq.m. and the number of residential communities the Group managed or entered into consultancy services contracts with reached 1,700, representing a rapid growth of 31.8% and 34.4% respectively, comparing with that as at 31 December 2014.

In order to speed up the market expansion, the Group launched the Colour Life Property Sales model. Based on the cooperation with the property developers and financial institutes, Colour Life Property Sales model is selling properties that bundled with coupons that can be used afterwards on the Caizhiyun Platform to the property owners. Colour Life properties is primarily targeting buyers being with limited disposable income whereby the coupons are with the aim to ease the pressure of the living cost of the targeted customers. In turn, by launching such coupon, Colour Life Property Sales model is with the aim to greatly improve the Caizhiyun platform's user stickiness and activity.

Geographical Presence

As at 30 June 2015, the regions in which residential communities the Group managed or provided consultancy services to were as follows:



Southern China

1. Shenzhen
2. Dongguan
3. Foshan
4. Fuzhou
5. Ganzhou
6. Guangzhou
7. Heyuan
8. Huizhou
9. Jingdezhen
10. Nanchang
11. Nankang
12. Putian
13. Qingyuan
14. Shangrao
15. Yangjiang
16. Yichun
17. Yingtan
18. Zhongshan
19. Zhuhai
20. Xiamen
21. Shaoguan
22. Heshan
23. Nan'an
24. Quanzhou
25. Sanming
26. Zhangzhou
27. Nanxiong
28. Longyan
29. Jiujiang
30. Maoming
31. Nanping
32. Xinyu
33. Zhaoqing
34. Haikou
35. Danzhou
36. Fuzhou
37. Shantou
38. Zhanjiang

Eastern China

39. Changzhou
40. Dongtai
41. Gaoyou
42. Huai'an
43. Jiangyin
44. Jurong
45. Lianyungang
46. Nanjing
47. Nantong
48. Shanghai
49. Suzhou
50. Wuxi
51. Wuhu
52. Xinghua
53. Yancheng
54. Yangzhou
55. Yixing
56. Changshu
57. Kunshan
58. Xuzhou
59. Hangzhou
60. Chuzhou
61. Huzhou
62. Fuyang
63. Jiaxing
64. Linyi
65. Yantai
66. Zhenjiang
67. Zibo
68. Bengbu
69. Hefei
70. Ji'ning
71. Liu'an
72. Qingdao
73. Quzhou
74. Shaoxing
75. Taicang
76. Wenzhou

**Southwestern
China**

77. Chengdu
78. Liuzhou
79. Dali
80. Guilin
81. Nanning
82. Zigong
83. Chongzuo
84. Baise
85. Guigang
86. Zunyi
87. Guiyang
88. Fangchenggang
89. Deyang
90. Guang'an
91. Laibin
92. Lijiang
93. Mianyang
94. Pingnan
95. Suining
96. Tongren
97. Yizhou
98. Chongqing
99. Ziyang
100. Anshun

**Northeastern
China**

101. Gaizhou
102. Harbin
103. Huludao
104. Shenyang
105. Shuangyashan
106. Tieling
107. Yingkou
108. Diaobingshan
109. Benxi
110. Changchun
111. Panjin
112. Anshan
113. Dalian

**Northwestern
China**

114. Xi'an
115. Yinchuan
116. Lanzhou
117. Hancheng
118. Xi'ning
119. Yulin

Northern China

120. Beijing
121. Qinhuangdao
122. Tianjin
123. Shijiazhuang
124. Baotou
125. Tongliao
126. Wuhai

Central China

127. Changsha
128. Xinxiang
129. Yiyang
130. Zhengzhou
131. Wuhan
132. Chenzhou
133. Kaifeng
134. Anyang
135. Xiangyang
136. Jingmen
137. Puyang
138. Yichang
139. Yueyang
140. Zhangjiajie
141. Zhuzhou
142. Huixian
143. Luohe
144. Xiangtan
145. Huanggang

Non-Mainland China

146. Hong Kong

Oversea

147. Singapore

The Group's total contracted GFA had grown continuously during the first half of 2015. The table below sets forth the total contracted GFA and the number of residential communities the Group managed or provided consultancy services to in different regions as at the dates indicated below:

	As at 30 June 2015				As at 31 December 2014			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Total Contracted GFA (<i>'000 sq.m</i>)	Number	Total Contracted GFA (<i>'000 sq.m</i>)	Number	Total Contracted GFA (<i>'000 sq.m</i>)	Number	Total Contracted GFA (<i>'000 sq.m</i>)	Number
Shenzhen	7,749	130	830	19	4,780	102	720	18
Southern China (excluding Shenzhen) ⁽¹⁾	51,937	355	6,606	22	34,914	194	13,386	113
Eastern China ⁽²⁾	86,607	515	10,330	69	38,777	230	40,011	228
Southwestern China ⁽³⁾	32,791	175	798	2	17,701	60	3,488	34
Northeastern China ⁽⁴⁾	9,278	57	3,429	21	5,068	33	4,015	26
Northwestern China ⁽⁵⁾	13,061	61	76	1	10,869	53	76	1
Northern China ⁽⁶⁾	8,922	39	2,522	20	8,807	17	2,522	20
Central China ⁽⁷⁾	31,313	147	2,884	13	15,545	78	3,868	29
Non-mainland China ⁽⁸⁾	40	16	-	-	-	-	-	-
Oversea ⁽⁹⁾	987	38	-	-	703	29	-	-
Total	242,685	1,533	27,475	167	137,164	796	68,086	469

Notes:

- (1) Including Danzhou, Fuzhou, Shantou and Zhanjiang as at 30 June 2015.
- (2) Including Bengbu, Hefei, Ji'ning, Liu'an, Qingdao, Quzhou, Shaoxing, Taicang and Wenzhou as at 30 June 2015.
- (3) Including Deyang, Guang'an, Laibing, Lijiang, Mianyang, Pingnan, Suining, Tongren, Yizhou, Chongqin, Ziyang and Anshun as at 30 June 2015.
- (4) Including Anshan and Dalian as at 30 June 2015.
- (5) Including Hancheng, Xi'ning and Yulin as at 30 June 2015.
- (6) Including Shijiazhuang, Baotou, Tongliao and Wuhai as at 30 June 2015.
- (7) Including Huixian, Luohe, Xiangtan and Huanggang as at 30 June 2015.
- (8) Including Hong Kong as at 30 June 2015.
- (9) Including Singapore as at 30 June 2015.

As at 30 June 2015, the Group had grown its coverage to 146 cities in China and one country outside China where the Group was contracted to manage 1,533 residential communities with an aggregate contracted GFA of approximately 242.7 million sq.m. and entered into consultancy services contracts with 167 residential communities with an aggregate contracted GFA of approximately 27.5 million sq.m.. The Group will continue to expand its business through obtaining new service engagements and acquisitions of other property management companies. The table below sets forth the movement of the total contracted GFA and the number of residential communities the Group managed or provided consultancy services to during the first half of 2015:

	As at 30 June 2015				As at 31 December 2014			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Total Contracted GFA	Number of Residential Communities	Total Contracted GFA	Number of Residential Communities	Total Contracted GFA	Number of Residential Communities	Total Contracted GFA	Number of Residential Communities
	('000 sq.m)		('000 sq.m)		('000 sq.m)		('000 sq.m)	
As at the beginning of the year	137,164	796	68,086	469	63,285	436	28,248	179
New engagements ⁽¹⁾	23,235	135	240	1	42,866	136	46,450	338
Acquisitions	54,221	384	2,040	8	32,870	241	-	-
Transfer from consultancy service to self-management ⁽²⁾	38,924	296	(38,924)	(296)	2,069	15	(2,069)	(15)
Terminations ⁽³⁾	(10,858)	(78)	(3,969)	(15)	(3,926)	(32)	(4,543)	(33)
As at the end of the year	<u>242,686</u>	<u>1,533</u>	<u>27,473</u>	<u>167</u>	<u>137,164</u>	<u>796</u>	<u>68,086</u>	<u>469</u>

Notes:

- (1) In relation to residential communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to residential communities the Group provided consultancy services to, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) For the six months ended 30 June 2015, the Group managed to acquire 12 of the property management companies to which it provided consultancy service previously, resulting in the relevant residential communities under the Group's consultancy service arrangements transferred into those the Group managed.
- (3) Including the contracted GFA and the number of residential communities which the Group ceased to manage primarily due to non-renewal of certain property management contracts.

Nature of the Property Developers

The properties that the Group manages or provides with consultancy services are predominantly constructed by independent property developers other than Fantasia Holdings Group Co., Limited (“Fantasia Holdings”) and its subsidiaries (collectively, the “Fantasia Group”), the controlling shareholder of the Company. The table below sets forth a breakdown of the contracted GFA and the number of properties the Group managed or provided with consultancy services which were developed by independent property developers and Fantasia Group as at the dates indicated below:

	As at 30 June 2015				As at 31 December 2014			
	Total Contracted GFA (’000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties	Total Contracted GFA (’000 sq.m)	% of total Contracted GFA	Number of Properties	% of total number of properties
Properties constructed by independent property developers other than the Fantasia Group	262,180	97.0%	1,668	98.1%	197,271	96.1%	1,233	97.5%
Properties constructed by the Fantasia Group	7,979	3.0%	32	1.9%	7,979	3.9%	32	2.5%
Total	270,159	100.0%	1,700	100.0%	205,250	100.0%	1,265	100.0%

Scope of Services for Property Management Services

The Group focuses on providing: (i) property management services such as security, cleaning, gardening, repair and maintenance provided to residential communities, and (ii) pre-sale services to property developers, including cleaning, security and maintenance of the pre-sale display units.

The property management services the Group provides can be grouped into the following categories:

Security services

The Group endeavors to provide high-quality security services to ensure that the communities it manages are well protected. The Group seeks to enhance the quality of its security services through equipment upgrade. Daily security services provided by the Group include patrolling, access control, visitor handling and emergency handling. The Group may delegate certain security services to third-party sub-contractors.

Cleaning and gardening services

The Group provides general cleaning, pest control and landscape maintenance services to communities managed by it through its own specialised subsidiaries or third-party subcontractors.

Repair and maintenance services

The Group provides repair and maintenance services to certain communities it manages. In particular, the Group is generally responsible for the maintenance of: (i) common area facilities such as lifts, escalators and central air conditioning facilities; (ii) fire and safety facilities such as fire extinguishers and fire alarm system; (iii) security facilities such as entrance gates control and surveillance cameras; and (iv) utility facilities such as electricity generator, water pumps and water tank. The Group provides such services through its specialised subsidiaries or third-party subcontractors.

Colour Life Property Management Services Model

As at 30 June 2015, the Group employed over 30,000 on-site personnel to provide property management services. The table below sets forth the property management fee range for residential area within the residential communities the Group managed on a commission basis and a lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2015		As at 31 December 2014	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.5–8.8	0.97–7	0.5–8.8	3.5
Southern China (excluding Shenzhen) ⁽¹⁾	0.6–6.8	0.4–3.5	0.6–6	–
Eastern China ⁽²⁾	0.1–3.6	0.58–4.2	0.1–2.9	1.2
Southwestern China ⁽³⁾	0.55–5.68	0.3–4.6	0.55–5.68	–
Northeastern China ⁽⁴⁾	0.7–1.5	1.8	0.7–1.5	–
Northwestern China ⁽⁵⁾	0.8–3.95	1.5	0.8–3.95	–
Northern China ⁽⁶⁾	0.4–4.95	0.75–5.2	0.4–2.8	–
Central China ⁽⁷⁾	0.5–2.48	0.85–4.48	0.5–2.48	–
Non-Mainland China ⁽⁸⁾	1.42–20.35	–	–	–
Singapore	1.23	–	1.23	–

Notes:

(1) Including Danzhou, Fuzhou, Shantou and Zhanjiang as at 30 June 2015.

(2) Including Bengbu, Hefei, Ji'ning, Liu'an, Qingdao, Quzhou, Shaoxing, Taicang and Wenzhou as at 30 June 2015.

- (3) Including Deyang, Guang'an, Laibing, Lijiang, Mianyang, Pingnan, Suining, Tongren, Yizhou, Chongqing, Ziyang and Anshun as at 30 June 2015.
- (4) Including Anshan and Dalian as at 30 June 2015.
- (5) Including Hancheng, Xi'ning and Yulin as at 30 June 2015.
- (6) Including Shijiazhuang, Baotou, Tongliao and Wuhai as at 30 June 2015.
- (7) Including Huixian, Luohe, Xiangtan and Huanggang as at 30 June 2015.
- (8) Including Hong Kong as at 30 June 2015.

The Group always believes that, just like other industries, the community services industry will also experience transformation from a labour-intensive industry to a technology-intensive industry, and thus the Group has spared no effort to provide more quality experience to the communities through the use of internet, investment in smart devices and improvement of the management system. According to the research report on top 100 property services enterprises for 2015 issued by China Index Academy, the Group was ranked the sixth among the top ten leading enterprises in terms of customers' satisfaction to the top 100 property services enterprises, one place higher than that in 2014. It should be noted that the application of new technology has also greatly enhanced the Group's capability to meet the challenge brought from the increase of labour cost. Currently, the number of employees for every million sq. m. is approximately half of the number of employees of the top 100 enterprises in the industry.

For example, the use of internet of things and mobile internet facilitates the effective monitoring of the Group's projects across the country from its headquarter control centre, which greatly reduces the number of middle management staff members and realises a flat organisation. The Group has also classified its managed communities into various classes for the provision of different classes of services based on the difference of charging standards and developed standardised equipment alteration and service projects for various classes to ensure consistency of customer experience for various projects and secure the Group's rapid expansion in the PRC. The establishment of an automated, centralised and standardised management system ensures the Group's effective cost control while maintaining the customer satisfaction.

In addition, the Group is actively building up an online platform Caizhiyun APP for its community services, and migrated such functions as remittance of fees, requesting repair and maintenance services, issuing of notices and submitting complaints from a traditional offline platform to an online platform, which not only provides convenience to the residents of the communities but also strengthens the interactions and communications between the Group and property owners of residential communities. Meanwhile, the Group designates customer managers to serve the communities based on the proportion to the number of the residents in such communities. The customer managers will schedule visits with the residents through the online platform for following up works and feedbacks relating to customer satisfaction in a timely manners in order to, on one hand, ensure the quality of the offline basic community services and, on the other hand, thoroughly get aware of the services that the property owners immediately need. The Group will grow the corresponding value-added businesses and organically integrate the community's online and offline businesses, which will further enhance the Group's competitive edges.

Consultancy Services

With a view to expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its community leasing, sales and other services, the Group has selectively entered into consultancy services contracts with regional property management companies.

Under such arrangements, the property management companies are contracted to provide property management services at the relevant communities, and the Group provides consultation and advice to these regional property management companies such that they can leverage the Group's experience and platform to improve the standard of their own operations and control their operational costs in their service provision. In addition, the Group provides community leasing, sales and other services at the relevant communities in accordance with the contracts, which in the future may generate additional revenue for the Group.

As at 30 June 2015, the Group was contracted to provide consultancy services to 167 residential communities in the PRC. For the six months ended 30 June 2015, income generated from the Group's consultancy services was RMB39.8 million (2014: RMB10.2 million), or 14.3% of its total revenue for the Period (2014: 10.7%). The gross profit margin for consultancy services was nearly 100%.

The relevant contracts typically have terms of at least two years. The Group provides consultation and advice to these regional property management companies on various aspects of their operations, such as property management, engineering, quality control and human resources management. In addition, the Group can provide community leasing, sales and other services at the relevant communities under its own brand name in accordance with the contracts.

Engineering Services

The Group provides engineering services to property developers (including primarily independent property developers and to a lesser extent the Fantasia Group) and the communities the Group manages through sub-contracting and collaboration with qualified third-party contractors and through its wholly-owned subsidiary, Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("**Shenzhen Kaiyuan Tongji**"), which specialises in engineering services. The Group's engineering services primarily include (i) equipment installation services (consisting of automation and other hardware equipment installation services and energy-saving equipment installation services), (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Group's equipment leasing program.

To further increase the efficiency of its property services, the Group has been conducting Internet-based transformation and operation in respect of all managed projects. In 2015, the Colour Life Smart Community Model was upgraded from Version 2.2 to Version 2.3, featuring further improvements in operation plans, budget systems, smart equipment, inspection and delivery of construction work, APP registration and vertical applications for the ecosystem (including E-maintenance, E-leasing, E-wealth management and micro business circle, etc). In the first half of 2015, the Group completed hardware modification for 345 communities, and the modification for a total of 755 communities has been completed so far, representing 44.4% of the number of communities managed by the Group, providing strong assurance for enhanced centralised management and consistent service quality at fundamental properties, as well as offering more convenient community services to residents.

Automation and other hardware equipment installation services

In order to enhance the management efficiency in relevant communities and in turn to achieve the purpose of reducing the service costs of property management, the Group is committed to provide installation of automation equipments for residential communities.

The Group provides automation and other hardware equipment installation services to property developers, in accordance with their requirements, aiming to diversify the Group's revenue sources and develop business relationships with property developers which have engaged the Group or may subsequently engage the Group to provide property management services when the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies system.

The Group assists residential communities that it manages or provides services to in realising energy savings by replacing their existing hardware with energy-saving equipment, such as LED lights, motion-sensor lights and energy efficient elevators.

Community utility facilities repair and maintenance services

The Group provides repair and maintenance services on various building hardware such as elevators, fire protection equipment and drainage systems in residential communities. With the further deepening of Colour Life management model of the Group, the Group has promoted an equipment management model to reduce the occurrence of major failures of the abovementioned hardware and equipment that requires large-scale repairs through periodically conducting regular maintenance in communities it manages. As at 30 June 2015, the Group was engaged to provide repair and maintenance services to 888 residential communities it manages or provides with consultancy services.

Community automation equipment leasing services

The Group provides automation and other equipment upgrade services to residential communities it manages or provides consultancy services to. These equipment include carpark security systems, building access systems and remote surveillance cameras. These equipment were invested by Shenzhen Kaiyuan Tongji and provided for the use of each residential community through the Group's equipment leasing program. As at 30 June 2015, the Group had completed automation and other equipment upgrades at approximately 755 residential communities.

Community Leasing, Sales and Other Services

With more than ten years of experience in community management and services, the Group has established a comprehensive offline service team who had built up trust with the residents and has more comprehensive understanding on the needs of the community residents and the creation of the community scenarios. Leveraging the understanding on the residents of the communities for which the Group provides management services or consultancy services, the Group focuses on the construction of an open online platform, enabling the residents to contact with local vendors for services or goods via the online platform and creating a community living environment which offers goods and services with better value for money and more convenience.

Caizhiyun APP, the online operating platform of the Group, reported significant progress in the first half of 2015. In addition to basic functions such as handling property fee payments and complaints as well as issuing service notices, functions with higher utilisation rates, such as “Scan to Access the Community” (掃一掃開社區大門), were also introduced to enhance interaction and connection between community property owners and the Group, as well as to strengthen owners’ stickiness with Caizhiyun. As at 30 June 2015, registered users of Caizhiyun increased to over 1.6 million, of which 0.6 million were active users, each representing an increase of 50% as compared with those as at the end of 2014. In the future, the Group will further strengthen its ability to investigate and foster community accesses and community scenarios, facilitating the seamless integration of its online and offline businesses.

At the same time, the Group will insist on its strategy of open platform and has commenced cooperation with a number of third parties for vertical application through business incubation strategy and value chain restructuring strategy to jointly explore opportunities for business expansion in a diversified community scenarios. Currently, the Group has established cooperation with E Master (易師傅) (the provider of E-maintenance services), Hehenian (合和年) (the provider of E-wealth management services), Caizhijia (彩之家) (the provider of E-leasing services), JD.com (京東), Heike under S.F. Express (順豐嘿客), Suning.com (蘇寧易購), and Mengniu (蒙牛). As at 30 June 2015, E-master registered a daily order volume of more than 2,000 orders, while E-wealth management registered a daily order volume of more than 4,000 orders, amassing aggregate investment of RMB231.0 million. Such positive operating data have underlined the initial success of the Colour Life ecosystem. With the progress of the Colour Life Residential Units Strategy, the amounts of the meal coupons that the community residents save in the Caizhiyun APP will be continuously accumulated, which may further facilitate the construction and improvement of the ecosystem. In addition, it should be noted that the Group is also actively soliciting financial institutions with proven strengths to work with it in relevant areas within the ecosystem. In this connection, the Group has entered into strategic cooperation agreements with Anbang Insurance Group Co., Ltd. and Ping An Bank, Shenzhen Branch for joint investigation of new models in community financial services.

The Group’s community leasing, sales and other services primarily include (i) common area rental assistance, (ii) purchase assistance, and (iii) residential and retail units rental and sales assistance.

Common area rental assistance

Physical advertising spaces in a residential community, such as those on elevator walls or in common spaces, are the properties of the property developer or property owners. The Group assists them to lease out such spaces and receive a commission in return. The Group also provides such services with regard to extra space at a residential community, which is rented out as storage space.

Purchase assistance

Depending on the product or service types, residents may place orders at the Group's on-site management offices, through a toll free service hotline, the Company's website or the Caizhiyun App, which covered around 1,300 residential communities as at 30 June 2015. Typically, for purchases of rice, bottled water and cooking oil, residents place orders at the Group's Caizhiyun App. Based on the orders, the bottled water, cooking oil and rice suppliers will make deliveries to the residential communities the Group manages or provides consultancy services to. The Group either receives a percentage of the sales price or a fixed fee as referral fees from the suppliers.

Residential and retail units rental and sales assistance

When a property owner seeks rental assistance from the Group, the Group refers the case to an independent third-party property agent, who rents the unit from the property owner as the primary tenant for a fixed term, and sub-leases the unit to an appropriate tenant either at a premium or for rent for the period that covers the rent-free period enjoyed by the primary tenant.

Community operational platform business

With the growth of the total contracted GFA as well as the number of residential communities the Group manages or provides with consultancy services, the Group sees potential demand for local products and services among its large number of residents and property owners. These residents and property owners traditionally rely on sifting through a large amount of information primarily through offline channels to find relevant offerings. Because of the lack of information and restriction of suppliers' service radius, the offline channels to find relevant offerings are inefficient. Therefore, the Group integrates product and service suppliers on Caizhiyun App based on residents' demand, creating a more convenient living environment for residents and developing an O2O (online to offline) ecosystem for residential communities.

Financial Review

Revenue

The Group's revenue mainly arises from (i) property management services, (ii) engineering services, (iii) community leasing, sales and other services. For the six months ended 30 June 2015, the total revenue increased by 70.2% to approximately RMB278.1 million from RMB163.4 million for the six months ended 30 June 2014.

The increase in revenue was primarily driven by (i) an increase in the total revenue-bearing GFA and (ii) an increase in the amount of community leasing, sales and other services the Group delivered.

— *Property Management Services*

For the six months ended 30 June 2015, revenue from property management services increased by 56.5% from RMB95.6 million for the six months ended 30 June 2014 to RMB149.6 million.

Such increase was primarily attributable to:

- (a) An increase in revenue of RMB27.0 million from service fees charged under commission basis which in turn was driven by the growing revenue-bearing GFA. As at 30 June 2015, the revenue-bearing GFA under commission basis increased by 109.1 million sq.m., or 170.2%, from 64.1 million sq.m. as at the same date in 2014 to 173.2 million sq.m.;
- (b) An increase in revenue of RMB29.6 million from fees charged under consultancy services contracts as driven by the growing revenue-bearing GFA and also the better unit price charged given the effects of implementation of Colour Life property management service model started to indicate in these target companies who subscribed to the Group's consultancy services;
- (c) An increase in revenue of RMB14.1 million from services fee charged for rendering pre-sale related services for the six months ended 30 June 2015 as compared to that charged for the six months ended 30 June 2014;
- (d) A decrease in the revenue of approximately RMB16.7 million under lump sum basis due to cessation of services provided to various communities under lump sum basis.

Due to the facts discussed above, revenue from property management service for the six months ended 30 June 2015 accounted for 53.8% of the Group's total revenue, representing a decrease of 4.7% as compared to that of 58.5% for the six months ended 30 June 2014.

— *Engineering Services*

For the six months ended 30 June 2015, revenue from engineering service increased by 141.3% from RMB35.1 million for the six months ended 30 June 2014 to RMB84.7 million.

The growth in revenue from engineering services was primarily attributable to:

- (a) The growth in community repair and maintenance service income which increased by 112.6% to RMB47.4 million for the six months ended 30 June 2015 from RMB22.3 million for the six months ended 30 June 2014, which was driven by the growing revenue-bearing GFA in line with the roll out of the Colour Life services property management model;
- (b) An increase in the revenue of RMB8.2 million charged for the community equipment leasing income for the six months ended 30 June 2015 in line with the Group's community equipment upgrade program;
- (c) An increase in equipment installation service income of 156.7% to RMB26.7 million for the six months ended 30 June 2015 from RMB10.4 million for the six months ended 30 June 2014, which was driven by the growing revenue-bearing GFA under commission basis.

— *Community Leasing, Sales and Other Services*

For the six months ended 30 June 2015, community leasing, sales and other services income increased by 33.5% from RMB32.8 million for the six months ended 30 June 2014 to RMB43.8 million.

The growth in community leasing, sales and other services was primarily attributable to:

- (a) An increase in software usage fees at approximately RMB4.3 million as driven by the Group's growth in the total revenue-bearing GFA, which increased by 31.6% to RMB17.9 million for the six months ended 30 June 2015 from RMB13.6 million of that in the six months ended 30 June 2014;
- (b) An increase in community residential and retail units rental and sale assistance income of 137.1% to RMB8.3 million for the six months ended 30 June 2015 from RMB3.5 million for the six months ended 30 June 2014.

Cost of Sales and Services

The Group's cost of sales and services primarily comprises labor costs, sub-contracting costs, costs of raw materials which mainly consist of energy saving light bulbs, intercommunication devices, security camera wires, pipes, and others, utility costs, depreciation and amortisation and others. For the six months ended 30 June 2015, cost of sales and services increased by 30.8% from approximately RMB55.5 million for the six months ended 30 June 2014 to approximately RMB72.6 million. The increase was primarily attributable to the growth of the revenue bearing GFA.

Gross Profit and Gross Profit Margin

For the six months ended 30 June 2015, the overall gross profit increased by RMB97.5 million from approximately RMB108.0 million for the six months ended 30 June 2014 to approximately RMB205.5 million. The increase of gross profit was in line with the growth of revenue in all segments.

The overall gross profit margin increased by 7.8 percentage points to 73.9% for the six months ended 30 June 2015 from that of 66.1% for the six months ended 30 June 2014. The increase was primarily attributable to the gross profit margin of all business segments which remained at high level and the growth of weight of revenue which had a higher margin rate.

(i) Property Management Services

For the six months ended 30 June 2015, the gross profit margin of property management service increased by 12.2 percentage points from 62.6% for the six months ended 30 June 2014 to 74.8%, primarily due to the increase in property management service under commission basis and consultancy service, which had a gross profit margin of nearly 100%, resulting in consistent growth in both gross profit and gross profit margin; and the decrease in the proportion of revenue under lump sum basis due to the cessation of services provided to various communities under lump sum basis.

(ii) Engineering Services

For the six months ended 30 June 2015, gross profit margin for engineering services segment increased by 14.0 percentage points from approximately 45.0% for the six months ended 30 June 2014 to approximately 59.0%. The increase was primarily attributable to (a) the increase in the proportion of repair and maintenance service income which had a higher gross profit margin; (b) the addition of equipment leasing services which had a higher gross profit margin.

(iii) Community Leasing, Sales and Other Services

For the six months ended 30 June 2015, gross profit margin from community leasing, sales and other services segment remained at nearly 100%, being 99.6%.

Other Gains and Losses

The Group's other gains and losses increased by 636.1% from a loss of RMB3.6 million for the six months ended 30 June 2014 to a loss of RMB26.5 million for the six months ended 30 June 2015. The increase was primarily due to (i) an increase in exchange loss from nil to RMB2.3 million; and (ii) an increase in impairment loss recognised on trade receivables and payment on behalf of residents under commission basis which the Company believes may not be recovered based on the Company's review of the balances for the Group's property management and engineering services contracts.

Other Income

The Group's other income for the six months ended 30 June 2015 was RMB3.9 million, which increased by 56.0% as compared to that of the six months ended 30 June 2014.

Selling and Distribution Expenses

Selling and distribution expenses for the six months ended 30 June 2015 was RMB5.5 million, which increased by 292.9% from RMB1.4 million for the same period in 2014. The increase was mainly due to the increase of the promotion expenses for the Caizhiyun App platform.

Administrative Expenses

The Group's administrative expenses increased by 339.7% from RMB17.9 million for the six months ended 30 June 2014 to RMB78.7 million for the six months ended 30 June 2015. The Group continues to tighten the cost control measures. The increase in administrative expenses was primarily attributable to (i) the grant of share options by the Company on 29 September 2014 and 30 April 2015 respectively, which resulted in a charge of an amount of RMB31.3 million administrative expenses for the six months ended 30 June 2015; and (ii) the expansion of the Group's business scale which is in line with the Group's growing GFA more and more back offices function personnel were retained for rendering the centralisation of services like financial accounting and operations.

Expenses recharged to Residential Communities under Commission Basis

For the six months ended 30 June 2015, the Group's expenses recharged to residential communities under commission basis amounted to RMB21.6 million, representing an increase of 111.8% as compared to RMB10.2 million for the six months ended 30 June 2014. These increases were primarily attributable to the increase in the cost recovery in line with the growing GFA under the Group's management, the Group's centralised services of financial accounting, human resources, operation, legal services, etc. And therefore the re-charge of such expenses back to the community level increased consistently.

Finance Costs

The Group's finance costs were RMB6.8 million for the six months ended 30 June 2015, which have increased by 2,166.7% as compared to RMB0.3 million for the same period in 2014, mainly due to the increase in bank borrowings.

Share Options

The Company adopted a share option scheme on 11 June 2014.

On 30 April 2015, the Company granted 25,000,000 share options to its Directors, certain employees of the Group and certain minority shareholders of the Company's subsidiaries, respectively, for which the exercise price is HK\$11.0 each. Together with the effect of share options granted on 29 September 2014, the total share option expense charged to the statement of profit or loss for the six months ended 30 June 2015 was approximately RMB32.2 million.

Changes in Fair Value of Investment Properties

The Group's changes in fair value of investment properties increased 250.0% to a gain of RMB2.1 million for the six months ended 30 June 2015 from a gain of RMB0.6 million for the six months ended 30 June 2014, which was primarily due to: (a) the growth in market value of the respective investment properties which was reassessed at 30 June 2015; and (b) new acquisition of Kaiyuan International which holds various investment properties as at 30 June 2015.

Income Tax Expenses

The Group's income tax expenses increased by 30.9% to approximately RMB31.3 million for the six months ended 30 June 2015 from approximately RMB24.6 million for the six months ended 30 June 2014. The increase was primarily due to an increase of current tax for EIT by 51.2% from RMB25.4 million for the six months ended 30 June 2014 to RMB38.4 million.

Adjusted Profit for the Period

Adjusted profit is defined as profit for the period before the costs of the Group's initial public offering and any other offering and the option program charged to the statement profit or loss. As these cost items are either non-recurring or non-cash spending, the Company believes that separate analysis of the impacts of these cost items adds clarity to the constituent part of the Group's results of operations and provides additional useful information for investors to assess the operating performance of the Group's business.

Adjusted profit for the six months ended 30 June 2015 was RMB115.4 million, representing an increase of 56.6% from RMB73.7 million for the same period in 2014.

Trade and Other Receivables

Trade receivables mainly include receivables generated by income from property services, income from works, installations and repair services, as well as income from value-added services.

As at 30 June 2015, total trade receivables of the Group amounted to approximately RMB194.9 million, which had increased by approximately RMB37.4 million as compared to approximately RMB157.5 million as at 31 December 2014. The increase was attributable to the significant increase in GFA of properties from which the Group effectively generated income during the period, which resulted in corresponding increases in repair and maintenance fees, consultation fees and software usage fees of communities.

Other receivables and prepayments increased from approximately RMB75.1 million as at 31 December 2014 to approximately RMB163.1 million as at 30 June 2015, primarily attributable to: (i) an increase of RMB21.5 million in payment on behalf of residents for residential communities under consultancy services arrangement which is in line with the increase of consultancy service revenue; (ii) an increase of RMB18.0 million in receivables from former shareholders of certain subsidiaries mainly due to the increase in the number of subsidiaries the Group acquired; (iii) an increase of staff borrowings of RMB15.5 million due to the establishment of new regional offices; (iv) an increase in prepayment for suppliers of RMB8.5 million due to the prepayment of equipment upgrade projects, which were widely introduced among residential communities that the group managed.

Payment/Receipts on Behalf of Residents

Payment/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under the terms of commission basis. These management offices of residential communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the group entities. A net receivable balance from the property management office of the residential community represents expenditures paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of that residential community. A net payable balance to the property management office of the residential community represents property management fee collected from residents of the residential community in excess of the expenditure paid by the Group on behalf of the residential communities.

Increase in balance of payment on behalf of residents and decrease in balance of receipt on behalf of residents are primarily due to the fact that, in line with the growing revenue-bearing GFA under the Group's management, more and more projects newly entered into the Group's management system have difference in timing in between the property management fee collection and project optional cost spending.

Trade and Other Payables

Trade and other payables primarily comprise items such as payables to sub-contractors of the Group's engineering services, receipts on behalf of residents for residential communities under consultancy services arrangement, deposits received, accrued staff costs and other tax payable, the specific analysis of which is as follows:

- (1) trade payables increased from approximately RMB26.0 million as at 31 December 2014 to approximately RMB36.8 million as at 30 June 2015. This was primarily due to growth of the Group's property management services business, and offset by the decrease in amount of automation and other hardware equipment installation services transactions during the period.
- (2) other payables and accruals increased from approximately RMB176.3 million as at 31 December 2014 to approximately RMB395.0 million as at 30 June 2015, primarily attributable to:
 - (i) an increase of RMB92.0 million in consideration payable for acquisition of subsidiaries due to increased acquisition activities in 2015;
 - (ii) an increase of RMB66.4 million in advance from customers due to the new acquisition of Kaiyuan International by which most of the property management services provided are under lump sum basis; and
 - (iii) an increase of RMB10.1 million in other tax payable due to the Group's increase in business scale; the outstanding tax payables increased from RMB23.2 million as at 31 December 2014 to RMB33.3 million as at 30 June 2015.

Cash Position

As at 30 June 2015, the Group's total cash (including restricted bank deposits) have decreased by 7.3% from RMB823.3 million as at 31 December 2014 to approximately RMB763.3 million. As at 30 June 2015 and 31 December 2014, the amount of the Group's total cash was significantly larger than the amount of interest bearing borrowings.

The financial position continued to be stable. As at 30 June 2015, the current ratio (current asset/current liabilities) of the Group was 1.5, which was a decrease from the 2.4 as at 31 December 2014.

Currency Risk

The Group principally focused on the operation in PRC. Except for the bank deposits denominated in foreign currencies, the Group was not subject to any other material risk directly relating to the foreign exchange fluctuation. For the six months ended 30 June 2015, despite the depreciation of RMB against USD and HKD, the Directors expected any fluctuation of the RMB exchange rate would not materially and adversely affect the operations of the Group.

Employees and Remuneration Policies

As at 30 June 2015, excluding the employees for communities under commission basis, the Group had approximately 4,614 employees (31 December 2014: approximately 1,265 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution of the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

INTERIM DIVIDEND

The Board had resolved that no interim dividend shall be paid for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). For the period throughout the six months ended 30 June 2015, the Board is of the view that the Company has complied with all code provisions under the CG Code save for the following deviation:

In respect of the code provision E.1.2 of the CG Code, the Chairmen of the Audit Committee and Remuneration Committee and other committee members were not present at the annual general meeting (“**AGM**”) of the Company held on 14 May 2015 due to other business commitment and no delegate was appointed to attend the AGM.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the “**Securities Dealing Code**”). The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code during the period from the Listing Date to the date of this announcement and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the Period.

AUDIT COMMITTEE

The audit committee of the Company currently comprises three independent non-executive Directors, comprising Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, while Mr. Tam Chun Hung, Anthony is the chairman of the committee. The audit committee has reviewed the unaudited interim results for the six months ended 30 June 2015. In addition, the independent auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited interim results for the six months ended 30 June 2015 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company’s listed securities during the six months ended 30 June 2015.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.colourlife.hk). The interim report of the Company for the six months ended 30 June 2015 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and published on the above websites in due course.

By Order of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
TANG Xuebin
Executive Director and Chief Executive Officer

Hong Kong, 13 August 2015

As at the date of this announcement, the Board comprises Mr. TANG Xuebin, Mr. DONG Dong and Mr. ZHOU Qinwei as executive Directors; Mr. PAN Jun, Mr. LAM Kam Tong and Mr. ZHOU Hongyi as non-executive Directors; and Mr. TAM Chun Hung, Anthony, Dr. LIAO Jianwen and Mr. XU Xinmin as independent non-executive Directors.